

WTO Negotiations on Agriculture – main positions, debates and proposals during 2000 - 2003

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Introduction

Until 1995, GATT rules did not manage to "discipline" the fundamental trade elements of agricultural and food products. Export subsidies and internal support rules were not applied creating thus an unstable situation in world trade about these products. But the negotiations in the framework of "*Uruguay Round*" which lasted over 8 years, 1984 – 1996, contributed a lot to change this situation.

Agriculture products trade today is solidly involved in the multilateral trade system. *WTO Agreement on agriculture* and the commitments made by member countries to reduce exports subsidies, which decreased the internal support and the customs tariffs for agricultural-food imports comprises an important step towards the radical reform in agricultural products trade in a world scale. The *Agreement* coming from the Uruguay Round decided a clear frame of rules giving a good impetus to the reduction of protectionist and protection policies which had a deregulating effect in the international market functioning. Based on article 20 of the *Agreement on agriculture*, the member countries committed to continue the negotiations and reflections on reforms until the end of 1999 or the beginning of 2000.

These negotiations have now entered in the stage of complete commitment by WTO member countries. They started on the basis of article 20. **The Ministers Declaration in November 2001** defined another mandate which relied on the work and results until then, it explained the concrete objectives for the future and fixed some deadlines for the achievement of the Agreement and collective decision taking¹.

Progress and problems of negotiations

First and second stage: march 2000 – march 2002

Negotiations started pursuant to article 20 of the Agreement on agriculture according to which the WTO member countries should continue with negotiations so as

¹ But as a result of member countries various interests, the negotiators could not manage to respect the deadlines and the 31 March 2003 deadline for defining concretely the objectives and formulate the concrete modalities for the commitment of each member country. Now a revised draft on "modalities" is still on the negotiators tables since March 2003. Doha Declaration foresaw also that the member countries should submit their global commitments drafts which had to be approved in the Ministers Conference in Cancun in Mexico in September 2003, an objective that was not realized as well. January 1st, 2005 has been now defined to end this negotiations round, but seeing the evolution of debates and discussions in the negotiations tables and the positions difference regarding the current proposals, the question marks for respecting this date are still very big.

to advance in the reforms process in the field of agriculture products trade. The core reform objective was: “*substantial progressive reductions in the field of internal supports and protectionist measures until reaching a fundamental reform*”.

First Stage: 2000 – 2001. This stage started in January 2000 and ended in the meeting of 26 - 27 March 2001. The member countries presented in it 45 proposals and 3 technical documents, which comprised their initial positions for negotiations. The opinions expressed and the attitudes kept by various delegations were very different and far from each other, but this was normal in this stage of negotiations.

Second Stage: 2001-2002. During this stage, discussions were organized on the basis of special topics and especially in the technical levels, something necessary to create the possibility for the WTO Members to elaborate specific proposals and at last reach a “*consensual agreement*” concerning the modification of rules and commitments in the agricultural field. The presented documents were not WTO official documents but informal and unofficial proposals. For the first time during this stage the developing countries also started to play an active role in various discussions.

"Modalities" Stage: March 2002 – January 2005

In November 2001 in Doha (Qatar) the fourth Ministers Conference was held. It adopted a declaration on launching another series of negotiations which would cover an entirety of topics integrating in it also the negotiations on agriculture that had already started. Negotiations on agriculture were now included in the framework of a unique commitment on the basis of which all the negotiations should end by the 1st of January 2005. Without prejudging the results, WTO member countries governments committed to hold active negotiations with the aim of realizing the following final objectives:

- Substantial improvements in the area of opening the markets;
- Progressive reductions of all forms of subsidies in the field of exports supporting;
- Progressive reductions of supporting measures in the field of internal support.

The most important dates defined in Doha Declaration were:

- Other formulas and “modalities”² for the commitments of member countries: March 2002 – March 2003;

² “Modalities” program comprised one of the most critical stages of negotiations on agriculture. Its aim was to fix “*modalities*”, rules or procedures (including here the objectives concretized in figures) so that the objectives foreseen in Doha Ministers Declaration could be realized. “Modalities” would be used by Members in order to present their first offers or “projects for global commitments”. Doha Declaration foresaw that these should end by March 2003, some months before the Ministers Conference of Cancun.

- The completed commitments drafts of each country or group of countries: April 2003 – September 2003, until the fifth ministers conferences of Cancun (Mexico) where the achieved results balance would be made;
- Completion and approval of unique commitment: 1st of January 2005.

The ideas expressed during the “modalities” stage were presented in the form of a "**summarizing document**" (TN/AG/6) that was made available to WTO member countries on 18 December 2002 and after the first reactions of the negotiating groups, a compromise document was managed to be achieved called "**the first modalities draft for the new commitments**" which was distributed on 12 February 2003. But even this document was subject of Members reactions in order to manage to prepare on 18 March 2003 "**a revised draft**" (TN/AG/W/1/Rev.1) which, it should be expected, was far from the expected positions of consensus. The other attempt was made on 7 July 2003 by the preparation of the "**Report of trade negotiations Committee**" (TN/AG/10), a report submitted also to Cancun Conference of September 2003, but which again could not manage to guarantee common positions for many of the fundamental questions of agricultural Agreement.

Three fundamental questions: debates, disagreements and proposals

1. Exports subsidies and competition

The more the negotiations advance, the more the question of export subsidies advances from one fundamental principle to concrete details for every entry of Agreement on agriculture. During the “modalities” stage the discussions were held divided in five topics 9ever topic contained also a list of sub-topics including: general surveys; basic definitions and the products treated; stages/calendar; transparency and notifications; etc.):

- (i) export subventions;
- (ii) exports credits, guarantees and insurance;
- (iii) food aid; state trade and export enterprises;
- (iv) exports restrictions and taxes.

Synthetically the negotiations, proposals and debates for this question are focused in the following points:

- Proposal for the total **elimination of all forms of exports subsidies**, accompanied by small reductions since the beginning of commitment the quality of "*initial contribution*";
- The proposal of a group of countries (net importers) who oppose **the total elimination of exports subsidies** fearing a price increase in world market and their impossibility to buy there all the necessary quantity of agricultural and food products without being obliged to enter into big debts ;

- Proposal that the developed countries eliminate all exports subsidies when **the developing countries be authorized** to subsidize some of the main products destined for export;
- Proposal that some developing countries **be allowed to apply a high tariffs protective system or adjust their tariffs limits** so that they protect better their agriculture and domestic production up to a stage when the developed countries reduce totally their exports subsidies;
- Revised "modalities" proposal according to which ***"it is proposed that the exports subsidies be eliminated in 2 stages"***: (i) within 5 years (10 years for the developing countries) for a definite series of products; and (ii) within 9 years (12 years for the developing countries) for other products. Meanwhile the developing countries will continue to profit from the exemptions clause in accordance with article 9.4 for the subsidies destined to support the maintenance of equipment and vehicles, marketing, transport improvement, etc.
- Proposals with regard to the treatment of food aid which consist in: (i) aid should be given **in the form of donation and not by credit** even soft ones; (ii) food aids should not be used for the remaining **"excess" of domestic production** but for the debit countries demands; (iii) the aid should not be only in foods but they should be **accompanied by technical and financial assistance** to help poor and developing countries not to become structurally needy for food aid; (iv) aid should be offered only in cases when **it is required by an international organization** like for instance, world food program, ONU, FAO, etc.
- Proposal that aims to **eliminate monopolies** created or supported by the state and guaranteeing that the state enterprises function according to approved trade rules, without subsidies or supports of other kinds, without financial privileges, guaranteeing in every case the necessary transparency for the purchase or sale prices, their costs, etc.

2. Opening of markets: tariffs and tariff contingents

Currently, among the WTO member countries all agricultural products are protected exclusively by tariffs. In continuation of Uruguay Round all the non tariff obstacles should be abolished or transformed in tariffs - a process which is now known by the name "tariffing". In "modalities" stage, the discussions on this question were focused on 6 topics: (i) tariffs; (ii) tariffs contingents ; (iii) administration of tariffs contingents; (iv) special protection measures; (v) importing state enterprises; (vi) miscellaneous.

Two important questions were placed in the center: (i) high tariffs level for the quantities beyond approved contingents, and (ii) size of contingents themselves (their volume, manner of administration, applied tariffs for these contingents, etc.). Meanwhile countries in transition and many WTO new members insist on their proposals for a special and differentiated treatment in their favor as a result of the instable situation of

their economies and for the fact that the newly admitted members are still in the stage of applying commitments to open the markets taken during their admission in WTO stage.

However the strongest debates were concentrated on the formula or method that would be applied for tariffs reduction.

- Some countries - Canada, USA – are in favor of negotiating a "**sector liberalization**" which would conclude with the total tariffs elimination - at least by WTO main members - in specific sectors, as for example ethereal-oils, cereals, etc.
- Some other countries propose that the negotiations for the reduction of tariffs should have as a starting point "**the applied tariffs**" (tariffs applied by governments for agricultural and food imports) and not the "**consolidated**" tariffs (the maximal ceilings accepted by WTO) that are higher than those applied.
- Many of the developing countries consider tariffs and other import barriers as necessary to protect their domestic production and guarantee food security.

Then what formula should be used for the reduction of tariffs? Two are the prevailing proposals in WTO offices and the main negotiators groups:

1. "**Swiss**³" formula which proposes strong reductions of very high tariffs and more moderate reductions of low tariffs.
2. The method adopted in "**Uruguay Round**", which is more linear, that is, it foresees the same reductions expressed in percentage, in spite of the initial tariffs level.

The draft proposal submitted during the "**modalities**" stage proposes a compromise between these two formulas: tariffs division in some groups and differentiated reduction level for each group, with stronger reductions for high tariffs.

Developed Countries : 3 tariffs groups, reduction during 5 years

Tariff level	Average reduction	minimal reduction – in spite of product kind
90 % +	60%	45%
15-90 %	50%	35%
0 – 15%	40%	25%

³ Kjo formule u propozua nga Zvicra per here te pare gjate negociatave te "Tokio Raundit" ne vitet 70-te dhe kishte te bente kryesisht me te drejtat doganore per produktet industriale. Aktualisht, Zvicra nuk e perkrah me kete variant ne kuadrin e negociatave per bujqesine qe po zhvillohen.

Developing countries : 4 tariffs groups plus 1 category "special products", reduction during 10 years.

Tariff level	Average reduction	minimal reduction – in spite of product kind
120% +	40%	30%
60 – 120%	35%	25%
20 – 60%	30%	20%
0 - 20 %	25%	15%
special products	10%	5%

2.1. Opening of markets: special protective measures for agriculture

The special protective measures are urgent restrictions applied temporarily against imports to face special situations, as, for example, a drastic imports increase, etc. They are part of the Agreement on protective measures but Agreement on agriculture also contains some special provisions in this field. But contrary to other fields, in agricultural field, application of special protective measures: (i) may be applied automatically in cases when the imports volume passes a threshold considered disturbing for the importing country, or when the domestic prices fall sensitively as a consequence of free imports; (ii) and on the other hand it is not necessarily required that the degree of harm undergone by a certain domestic production branch as a consequence of imports drastic increase.

The main proposals in this aspect are as follows:

- **Preservation of current special protective clause** adding to it a new clause for **products seasonal protection or protection of delicate products**. But many countries fear the idea that applying this formula would strengthen the protectionist tendencies.
- Setting a **compensating tariffs mechanism** that the developing countries may use against imports subsidized by developed countries. The right of using this mechanism will be automatic with no need to prove the harm undergone by a certain domestic products as a consequence of subsidized imports.
- To **authorize all the developing countries to use the special protection clause** for all the agricultural - food products range and **remove the developed countries right** to use this clause.

The proposal having more chances to be approved: *“removing the right to apply the special protection clause for developed countries (foreseen in article 5 of Agreement on agriculture); this removal should enter into force no longer than 5 years after the approval of this reform”*. Also: *“setting a new available mechanism of special protection as an element of security for developing and undeveloped”*.

3. Domestic support: *orange, blue and green boxes*

According to WTO terminology, the subsidies are classified in "categories" identified by a color similar to the traffic lights: green category subsidies - *authorized*; orange – *careful*; red – *prohibited*. But in the case of agriculture things are more complicated. In Agreement on Agriculture there is no "red" category, meanwhile the level of domestic support surpasses sensitively the levels of commitments authorized by "orange" category. There is a "blue" category here concerning the subsidies of programs for production limitation or reduction of domestic offer. There is also another exception in favor of developing countries that is called "category of special differentiated treatment". Let us see what the aim of the main groups of proposals with regard to these three categories is.

3.1. Orange category⁴.

With regard to agriculture, in "orange" category are included all the measures of domestic support that have evident effects on *deformation*⁵ of normal production conditions and its trade. The main requirement in this framework is that their total value is reduced continuously. Many of the proposals focus on fixing the domestic support measures and subsidies that should be reduced more and whether it would be better to fix limits for certain products or global limits for all the products together.

DEBATES

- Many countries propose that the reductions affect only those products that have high support level but accepting a selective scale proposed by countries affected by these reductions;
- Another group of countries keeps a more radical position proposing that all the measures that the orange box has be totally eliminated;
- There are debates also around the idea that some measures of domestic support have the same effect as exports subsidies since this support varies depending on market prices (it increases when prices fall and it falls when prices increase);
- The different views diverge also on the case of maintaining a clear-cut attitude whether reduction of subsidies included in green box should be special for each product or continue to be treated globally in the category "global supporting measures" (MGM).
- Regarding "de minimis" level (minimal level subsidies) there is a general will that this clause be not touched and precise that "de minimis" level be no

⁴ Ne kategorine portokalli futen te gjitha mjetet e mbështetjes së brendshme që deformatojnë lojën e lirë të konkurrencës në tregjet ndërkombëtare : këtu bëjnë pjesë kryesisht politikat e mbështetjes së çmimeve, ndihmat direkte, subvencionet e ndryshme që nuk futen në kutitë jeshile dhe blu.

⁵ Termi « deformim » perdoret në kështu që kjo mbështetje e brendshme krijon avantazhe subjektive për këto mallra në raport me mallrat që prodhohen në vende të tjera por që nuk aplikojnë politika e masë të vecanta për mbështetje të brendshme, ose që i kanë ato në nivel shumë më të ulët.

higher for developing countries and those in transition and lower for developed countries.

PROPOSALS

- Starting from the current level, "the global supporting measure" (MGM) be reduced to 60% for a 5 year period for developed countries and 40% for a 10 year period for developing countries.
- The right that the developed countries have to exempt from their commitments the "de minimis" level from 5% of the agricultural production value will be lowered to 2.5% within 5 years. Whereas the developing countries will continue to preserve their level of 10%.

3.2. "Green" category

In order for a subsidy to enter the green category it is needed that its effects in deforming the commercial exchanges be zero or inconsiderable. These subsidies should be funded by public funds, not impose on customers higher prices and not be part of prices supporting policies. They are programs that are not directed exclusively for a certain product and they comprise a direct support for the farmers' income but they have no connection with production or prices in force. So the green category subsidies are authorized with no limitation if they respect the above conditions. They may take also the form of programs for environment protection, rural and regional development programs, extensive service, etc.

DEBATES

- Programs which aim the expenditures reimbursement for the reproductive animals health should be included in the green box preserving its logics;
- For the developing countries add the measures flexibility of this box with measures linked to poverty reduction and food guarantee programs;
- Another program be added to green category programs "development category", especially for the developing countries;
- What method should be used in order to see whether if a measure or program foreseen in the green box affects or not the market deformation and commercial relations? This concern is raised especially by countries which have applied active liberalization policies and fear the fact that the limitless increase of measures accepted by green box may provoke market deformations and their commercial relations and the financial situation.

PROPOSALS

- "Green" box will continue to be preserved taking into account the following modifications:

- (i) increase of fixed or unchangeable reference periods;
- (ii) strengthening the rules concerning the compensation criteria that are in the green box;
- (iii) authorizing the compensation of compensations for animals health expenditures;

3.3. "Blue" category

Blue category comprises an exception from the general rule according to which all the subsidies related to production will be reduced or kept in minimal well-defined levels ("de minimis"). This category is applicable only in cases of programs for production reduction, imposing of quotes system and leaving a certain land surface without cultures. The only countries which have currently notified WTO for the use of measures foreseen in blue category are: EU, Island, Norway, Japan, Slovakia, Slovenia and USA.

Many developing and developed countries require that blue category be abolished and its measures be included in orange category. These countries judge the blue category as a temporary or transitional measure which aims to help the countries not to give any longer subsidies that are part of orange category. But another group of countries have an opposite attitude: according to them the blue category should be preserved because it affects positively the various reforms facilitation in the rural sector and it affects very less the commercial relations compared to orange box.

PROPOSALS

- Expenditures in the framework of blue category with a ceiling will be fixed in a special agreement; then they will start to be reduced 50% within a 5 year period of time for the developed countries and 33% within a period of 10 years for the developing countries;
- The developing countries have the right to fuse many measures foreseen in orange category in the blue category during the first 5 years.
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Developing countries – position, proposals

In a general view the discussions on developing countries focus on three essential questions:

- (i) Should the developing countries benefit a special treatment, or the negotiations should avoid the definition of special and differentiated rules for various groups of countries?
- (ii) Should the various rules in agricultural field foresee the existence of subcategories of various countries in the framework of "developing countries"?

- (iii) Should the special and differentiated treatment allow the developing countries to protect against products coming from other developing countries or should this treatment have a sense - protection from industrialized countries?

Concerning these question marks, the developing countries have played an active role during all the negotiations on agriculture presenting various proposals, among which we might mention:

- Giving the "*special and differentiated*" treatment for all the developing countries so that their specific needs are taken into account;
- Setting clearly differentiated rules for the developed and developing countries;
- WTO provisions should be more flexible so that they allow the developing countries to support and protect the development of their agriculture, guarantee the survival of their poor rural populations and practice a traditional agriculture different from that of developed countries;
- Allow subsidies and protective measures so that food security is guaranteed, support the small farmers, compensate the absence of capitals, avoid the rural exodus towards cities, etc.
- Reduce to maximum the tariffs and non tariffs barriers for the developed countries against agricultural and food exports of developing countries and elimination of tariffs differentiating policies in raw materials of ready products (the developed countries prefer to have low tariffs for the raw materials and higher tariffs for ready products imported by developing countries).
- Ensure a special and differentiated treatment for the very small countries, isolated geographically, who possess no sufficient natural resources, affected by natural disasters, epidemic or civil wars, etc.

Globally, the 2000 – 2003 period proposals and debates have been focusing on the point of how the negotiations may conclude by solving the problems of developing countries. Three are the main axes where their solution is searched:

- **Orientation towards opening of markets or their protection:** it should be defined whether a special protection (exemption of some products from all kinds of WTO commitments) should be foreseen for the developing countries or an admission of a "flexible liberation" principle would be more efficient for these countries.
- Should these problems be considered only as specific for the developing countries or should it be "shared" with developed countries: e.g. such questions as food security or rural development should be treated only from the viewpoint of developing countries or also as questions of other groups of countries(countries in transition, developed countries, etc.)?

- **Unification or differentiation of some developing countries:** it should be defined whether the provisions should be applied for all the developing countries, or it is necessary to approve some supplementary provisions only for some specific groups of them.

Net importing countries of agriculture - food products

Many of the developing countries depending on imports to fill their agricultural - food markets have expressed the concerns and have evidenced the **risks for a possible increase of agricultural food products prices in international markets as a consequence of subsidies reduction by developed countries**. Though they accept that in a mid-term and long term period prices increase in world market may stimulate local farmers and domestic production increase, again they think that their preoccupations concerning import prices increase impact should be taken in consideration more seriously and effectively.

However, WTO agreement contains a “*decision on measures concerning possible negative impacts of reforms programs in less developed and developing countries that are net importers of agricultural food products*”. Supporting this decision, the WTO agricultural Committee proceeds periodically in studying the measures taken in the framework of this decision, as for example, concerning the technical and financial assistance given by industrialized countries for less developed and developing countries entering the net importing countries of agriculture - food products to create the possibility for them to increase the agriculture - food sector productivity and to improve the rural infrastructure.

Economies in transition

Two proposals have been currently submitted by the countries in transition; they synthesize the fundamental preoccupations of this group of countries which has just realized the transformation of a planned economy into a still fragile economy:

- (i) domestic support,
- (ii) opening of markets.

The essence of these countries attitude may be summarized as follows: “*as a result of considerable capitals absence to fund the agricultural and food sector, absence of a crediting operational system, of almost chronic budgetary limitations etc., the quick exposure of agriculture - food sector in all its range in front of market forces may destabilize that totally and create structural irreparable structural deformations without very big supplementary cost*”.

Concerning the **domestic support question**, this group of countries requires a supplementary flexibility so as to have the possibility to accord some kinds of specific subsidies, (as, for example, the frequent reimbursement of farmers debts and agriculture

processing industry, application of preferential interests for credits in the agriculture - food sector, etc.), and in a more general way, an increase of the allowed level of domestic support, deemed very small to be considered as such during the commitments for its progressive level reduction (“*de minimis*” level).

With regard to the **opening of markets**, this group of countries requires to protect some of its main and specific products, including here those who are part of "*negotiated products with low tariffs* group", keeping stable the existing tariffs without advancing in their progressive lowering even when it has been negotiated in an earlier time. The countries in transition require also negotiating even the elimination of non tariff barriers in the main markets where they export their products.

In broad lines, in their attitude these countries underline the requirement that this flexibility be **temporary** - it will last as long as the transitional period and the structuring of a stable and functional market economy end - and cause no disorders and subjective deformations in agriculture - food products.

Beyond the commercial frame: agriculture and its multifunctional role

Agreement on agriculture allows the governments of the signing countries a large room to take in consideration "*a larger vision than the commercial one*" , a vision affecting such fields as food security, environment, structural adjustment, rural development, combating poverty, rural tourism, etc. Article 20 of it underlined that "*considerations beyond the commercial ones should be taken into account during the negotiations on agriculture*". In this framework, there are various proposals by WTO member countries, which have been or are being taken into consideration and have been examined by agriculture Committee. We can summarize them as follows:

- Most of the countries accept the fact that agriculture cannot be reduced solely in production of food and fibers products, but it has also other functions beyond the commercial objectives. The most debated question in WTO in these 2-3 recent years is to know whether the "*subsidies considered to have impacts on commercial exchanges*" or that are not included in the “*green box*” are necessary or not to allow agriculture play its multifunctional role?
- Some countries assess that all the objectives may and should be achieved by subsidies contained in the green box and not by other kinds of interventions that might cause markets deformation. Such are, for example, (i) cases of products stocks to guarantee food security, (ii) direct payments for producers, (iii) aid in the framework of structural adjustment, (iv) programs in favor of environment protection, (v) programs for poor marginalized areas, etc. These countries protect the position that "*it is up to them to protect the principle of multifunctional role in order to argue that the current provisions of the agreement on agriculture do not allow this principle to be taken in*

consideration and that its concrete application will not have a direct impact and will not cause markets deformation"..

- For another group of countries the considerations touching the multifunctional principle have a close connection to production. According to them, the subsidies oriented towards production or indirectly linked to production are necessary and, in a broader view, with more positive effects than production itself. Thus, for instance, it is very effective to subsidize the creation of a fruit trees plantation to prevent erosion, etc.
- EU in particular but USA also indirectly insist that the multifunctional principle be included in the agreement on agriculture and the measures taken in this framework be larger than those allowed by "green box" not being judged as "measures affecting markets deformation".
- Meanwhile many of developing countries (mainly the typical exporting ones) see this EU and USA proposal as a "form of special and privileged treatment of developed and rich countries". Many of them go that far as declaring that - multifunctional role exists in all economy branches - and if WTO should include this question, it should include all the sectors of negotiations (e.g. industry, services, etc.) and not only proposals on agriculture.

Food security - long and difficult debates

Intensity and prolongation of debates in WTO bosom for the "food security" problem testifies the extent to which member countries judge this question as important, especially the developing countries. The most discussed elements in the recent 2 - 3 years on this topic consist in:

- **Should we protect the domestic production to guarantee food security of the country?** Most of the countries defend the position of the necessity to combine the means and methods for realizing food security, but the importance given by them to various methods is variable. Most efficient instruments proposed are: (i) exports increase - so that most necessary imports are funded; (ii) creation of agriculture - food markets regulatory stocks; (iii) support and protection of domestic production, etc.
- **Is it possible that only liberalization and orientation by markets help solve food security problem?** This question has received a positive answer and it has been backed by concrete proposals especially by countries in favor of a substantial markets liberalization.
- **Should the market disorders and the consequences of special circumstances, as for example, the specific climate conditions, justify the necessity of direct interventions in favor of food security guarantee?** This question has the support of many developing countries which are part of the net importing group, and some developed countries which are in favor of protectionist system and justification of direct support for the local producers and consumers. Many of the developing countries are in favor of this

argument also for the fact that they are convinced that "*developed countries have little desire to give up their domestic subsidies system*", and in the situation when many developing countries do not have the necessary foreign currency to buy food in world market, for them it is easier to support and intervene for the development of their traditional agriculture.

- **Is possible to have a more distinctive division between short term and long term measures?** According to one point of view, a well-oriented food aid comprises the best solution of short term problems related to food security of poor and developing countries; meanwhile in a long term vision, the best solution would be the application of specific policies for the increase of population income and the diversification of activities in a national level so that the international market risk and economy globalization effects are better managed.
- **Should an international food stock be created?** Many of developing countries propose the creation of an international financial fund which would serve as a security system and would create the possibility for agriculture and food net importing countries or for poor and very poor countries to borrow with facilitating conditions in order to solve their food security problems in case of crises and food disasters.

Peace clause

Agreement on agriculture contains also a special clause called "*moderated*" or "*peace clause*" that prohibits the application of other WTO Agreements requirements against relative subsidies applied in agricultural products (article 13). According to this clause, the agriculture sector domestic support measures, in accordance with the "*green box*", cannot become object of compensating rights or other "punishing" actions about subsidies foreseen in WTO general Agreement on subventions and compensating measures. The effect of this clause ended on 31 December 2003.

But many countries have meanwhile proposed to preserve this clause until they have a sort of "legal security", on the basis of which they would have the security that no "punishing or compensating" action would be taken against them as long as they respect the commitments related to exports and the domestic support on the basis of Agreement on agriculture framework.

Many other countries wish and have proposed for it to change and agriculture submit to the same rules as the other sectors. Meanwhile there are many intermediate proposals. Thus, for example, Canada proposes to exempt the domestic support from compensating measures foreseen in Agreement on subsidies. India suggests to preserve a similar measure with "peace clause", but only for developing countries, so that some kinds of subsidies may be exempt from compensating tariffs system.

Failure of Cancun conference and the necessity to "launch again" Doha cycle

Agriculture is one of the reasons of the divorce between rich and poor countries; it led to the failure of Cancun conference in September 2003. Wanting to compel the two main commercial blocks USA and EU to change their policies for the agriculture subsidies, the developing countries found no other way than blocking the agreements foreseen to be approved in Cancun (Mexico). However, things have started to change: peace clause, which prohibited every contesting in WTO since 9 years, expired on 31 December 2003. Now agriculture is gradually becoming a subject like the rest.

But Cancun failure prevented the member countries to find a consensual agreement on "agricultural file" and less so agree to extend the peace clause 2 years in order to negotiate Agreement on agriculture calmly and with no legal threats in all its details. In this way the disappearance of peace clause may complicate a lot Doha cycle discussions process, whose most delicate point is the question of agriculture subsidies.

During their recent meeting in Brasilia (Brazil) in November 2003, USA, EU and countries of "G20+" group – a block of emergency countries formed in Mexico and led by India and Brazil – stressed that every restart of negotiations should be linked with the progress made in the field of progressive subsidies elimination. Though their interests did not have many things in common, the "South" countries lined with the agricultural superpowers like Australia, New Zealand, which are members of "CAIRNS" group. EU on its part in June 2003 committed to a reform intending the "division" of agricultural subsidies from the production process and the effects on their cost and prices, but this reform was no considered satisfactory by USA which, as a consequence, did not take any step towards the reduction of direct aid system for its farmers.

However, EU feels less threatened than USA as a consequence of peace clause end. Though it has not yet taken a complete form, it is a fact that the group of "anti - subsidy" countries since January 2004 has started to denounce formally the use of agricultural subsidies, the amount of which in a world scale surpasses the figure of 350 billion dollars in a year. But everything depends on the political will of WTO member countries to prevent the failure of Doha cycle foreseen to be finished by January 1, 2005.
